Date:	Start time:	Finish time:	Venue:	Meeting no:
Thursday, 26 May 2016	1pm	4.15pm	Whittaker Room 33 Harold Street Virginia QLD 4014	Five

Facilitator: Gerard Reilly (Powerlink)

Minutes: Hayley Coultis (Powerlink), Nicole Maguire (Powerlink)

Attendees:
Andrew Barger (Queensland Resources Council)
Georgina Davis (Qld Farmers' Federation)
Gary Madigan (Energex)
Brian Urquhart (Ergon Energy)
Mark Grenning (Energy Users Association Australia)
Lynne Gallagher (Energy Consumers Australia)
Robyn Robinson (Council of the Ageing)
David Hiette (BMA)
Stewart Bell (Powerlink)
Jenny Harris (Powerlink)

Apologies:
John Gardner (CSIRO)
Julia Mylne (Chamber of Commerce and Industry Qld)
Mr Peter Maher (St Vincent de Paul)
Erin Bledsoe (QGC)
Simon Taylor (Powerlink)

Powerlink presenters:
Ian Lowry
Peter McCarthy
Stewart Bell

Energex presenters:
Paula Wilmot
Bridget Reed

Attachments will include all documents provided to panel members at the meeting including:
PowerPoint presentation and pre-reading documents

Item	Discussion	Action	Due date	Who
1.	**Welcome to Powerlink –** Gerard Reilly, Group Manager Stakeholder Relations			
2.	**Introductions and meeting agenda –** Gerard Reilly			
3.	**Presentation on submissions to AER on Powerlink Revenue Proposal –** Ian Lowry, Revenue Reset Team Leader Update on feedback on Powerlink's Revenue Proposal including: • Submissions received and feedback from key stakeholders • Powerlink submission in response to forum presentation by CCP member, Hugh Grant • Other key stakeholder feedback **Comments (C), questions (Q) and Powerlink response (R)** **C:** In relation to points made by Hugh Grant, I can understand the way that HG has calculated his figures in relation to the returns that can be earned, and I can also see the way Powerlink has done it – neither is necessarily wrong. It is important to clarify that under the current framework you are able to index your return on your regulated asset base (RAB), while others can't. **R:** We do disagree with some of the figures presented by HG at the AER forum. These figures have to be looked at as an interrelated package of arrangements under the regulatory framework – you cannot look at one set of figures without also considering the shifts and changes also occurring in other related parts of the regulatory arrangements. We agree we have a regulatory framework that allows you to index your RAB, but this cannot be looked at in isolation, without also looking at elements such as depreciation.			

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	C: What he has done is an analysis that is quite common to private industry. It's a different way of doing it to that of a regulated industry certainly. But based on his analysis the returns you receive from being able to index your RAB would be huge. **R:** HG hasn't taken into account factors that are very much interrelated. We don't see what he's done as valid analysis because it doesn't take account of all the factors at play. He has focused on the RAB and indexation and not taken into account those other factors. Our overall message is that we are looking at an interrelated package of arrangements in the revenue model – it's not just one aspect. **C:** At the end of the day, consumers are paying a higher price for transmission because you index your RAB. **C:** In relation to Hugh Grant's comments, Energy Consumers Australia funded the report he prepared. On the indexation issue our understanding is that the AER by convention offsets indexation against depreciation and therefore we are not sure that Hugh's argument on this point is valid. **R:** Powerlink has engaged with the Consumer Challenge Panel as we prepared the proposal, we've had forums, we've met with them individually, we've tried to engage with them at every opportunity. We will continue to receive HG's input as part of this process and the AER will report back in our Draft Determination. The head of the CCP, Jo de Silva, provided feedback to us and we found it promising. **Q:** Was there direct feedback from CCP members for Powerlink, David and Hugh? **R:** No, only Jo De Silva provided direct feedback through a submission so far **C:** I would like to raise one final point in relation to benchmarking. Powerlink has raised a point about it being difficult to benchmark Powerlink against others. The			

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	consultant you worked with, Huegin, concluded it was too difficult to benchmark Powerlink also. SP Ausnet in South Australia used a Huegin opex productivity benchmarking analysis in their AER revenue cap submission to argue that SP Ausnet was efficient compared to other networks including Powerlink. So how is it Huegin finds it so difficult to benchmark Powerlink on the same measure? **R:** The difficulty relates to sample size and managing networks in diverse operating environments. They said it was difficult to benchmark, not that they couldn't. It's always possible to benchmark. The question is whether the comparisons are valid and the consistency of the underlying benchmarking data.			
4.	**Presentation on demand and energy forecasting –** Peter McCarthy, Regional Grid Planning Manager Summary of presentation: • Overview of demand and energy forecasting model • Findings published in the Transmission Annual Planning Report (TAPR) by June 30 each year • Impact of new technologies increasingly being built into forecast **Q**: Does AEMO have a bigger forecast than Powerlink this year? **R**: Don't know yet, but expect it will come in fairly similar to ours. **C**: I've been hearing about this LNG load that's coming for over three years now, generators have been raising prices because of it. So I'm interested in that aspect of the forecast. **R**: From our perspective, the summer 2015/16 load was within 1% of Powerlink's			

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	forecast. So we were fairly pleased with that result in terms of our forecasting model and inputs. **Q:** Is there much different between the forecast Powerlink uses and the QCA forecast for regulated prices? **R:** Not sure what final forecast the QCA actually use. The QCA uses their own consultants who assist with that. **Q:** That's certainly been a big driver for recent price increases. Do they actually talk to you? **R:** It will depend on the consultants the QCA use. The ones they have used in the past Powerlink have also worked with. **Q:** In terms of the connection point forecasting methodology that AEMO uses, do you cross-check back against that methodology? **R:** The information we publish in the TAPR each year is the connection point forecast. They are not individual forecasts though, they are aggregated due to confidentiality. **Q:** It was a pretty anomalous summer though wasn't it? No hotter or colder than normal? **R:** There were significantly higher temps in the summer just gone. But the forecast is temperature corrected over history to average summer conditions. **Q:** In terms of solar, 15MW of solar equals how many households?			

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	R: It would be roughly 7,500 households. **C:** Battery storage has the biggest potential for impact in the future. It can flatten the load profile, so we're not building the network to manage a few hours a year of peak. **Q:** Does it link into pricing at all? Do Ergon and Energex consider battery storage in that context? **R:** (from Energex): We are doing lots of trials to help us better understand how you might get the best out of these systems to help operate the network. **C:** At same time, you need to ensure that it is a level playing field, and you need to ensure there is competition in that space. We don't want to have Energex being the only supplier of battery storage. Also, it doesn't change the fact that you've got an approach where you get approval to build a network for those few hours a year. Now you could be using that network only five of its 50 years of life, but the customer still pays for the other 45 years. The influence of batteries on pricing is negligible because the networks still have to recover revenue. This poses no risk to the networks, they have the ability to still recover the full cost of the asset for 50 years, not the five it's used for. The only real answer is to disconnect from the grid. **C:** We are already seeing farmers dropping off the grid due to cost. People are saying now that you don't want to be the last farmer still connected to the grid – you'd be paying a huge cost. Battery storage will be a real game changer. **C:** That's why it's so important to get the pricing right. I'm very conscious that the people who 'do nothing' will be far worse off. We need to create options so that people understand the benefits.			

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	Group discussion on forecast, in particular the impact of emerging technologies, what else should Powerlink take into account when developing forecasts, and who else should we be engaging with to make improvements. ***See attached notes in Appendix A.***			
	Presentation on Powerlink's asset planning criteria – Stewart Bell, Group Manager Strategy and Planning Update on criteria for planning the network, including: • Criteria for investment and reinvestment decisions • Mandated obligations • Value of network to different customers – greater focus on cost • N-1 vs N-1-50MW **Q:** Did 50MW come from submission from Powerlink or Government came up with it? **R:** Govt asked us to look at a range of options, which we did. They then considered those. **Q:** So it's a figure not based on economic planning, it has no relation to the value of the customer load. It's a technical application not an economic one that considers customer value? **R:** It simply represents the outer band of what we can do. Powerlink will invest earlier if, based on the expected value of customer reliability, it is economic to do so. **Q:** Are there examples of where it's been applied?			

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	R: Yes. We initially thought its main application would be in the augmentation space. But we've been using it quite effectively in the reinvestment space. The first question we ask is 'do we need that asset, is there an enduring need for that asset?' **Q:** In this example (Mackay to Proserpine) what capital did you save? **R:** Approximately $60M to build something new. Approximately $30M if we went with a life extension option. Or the saving of not putting in a capacitor bank at $2.5M or a second transformer for $14M. **Q:** Where do you get the $40,000 value customer reliability figure from? Is that the value AEMO has supplied for network planning in Victoria? **R:** Yes, it's the AEMO figure for value to customer. **C:** That VCR is now applied elsewhere other than Victoria. **C:** Interested to hear the value of the network from different perspectives, for instance the value of the network to an organisation like BMA. **C:** We recently had a 35-hour outage at the mine site that cost $5-6M in lost revenue. So the value to customer in that case is quite a different number. **C:** Different customers will have a different VCR. **C:** Not easy to adjust to the power being off and suddenly you can't run pumps or irrigation, but you've only got that three hour window to do it. And if you can't, your crop is at risk.			

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	Group discussion on maximum duration of load interruption, value of customer reliability, what stakeholder considerations should be taken into account when planning the network. ***See attached notes in Appendix B.***			
	Presentation from Energex on supporting customers in vulnerable circumstances, including: • No industry consensus on what constitutes vulnerable customers • Undertaking research, gap analysis and consultation to define vulnerable customers • Objectives and outcomes from vulnerable customer workshop • Developing Vulnerable Customer Support Framework after wider consultation **C:** There is a general view in consumer advocacy field that there is a stigma associated with being labelled as a vulnerable consumer. The preference is to talk in terms of vulnerable circumstances. **R:** We found that view also as part of this work. This is not charity, it's about empowering people with the right tools to help themselves. **C:** Question from Energex perspective in terms of how Powerlink fits into this model? **Q:** From Powerlink perspective, and looking at the definition of a vulnerable customer, does that mean the situation with Queensland Nickel could be considered under this model? **R:** We are still in exploration phase here. There are no rules around what's in or out,	Action for GR to circulate workshop report from Energex work to panel members.		

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	or who is or isn't considered to be in a vulnerable situation. **C:** I know Powerlink gets involved in cyclones, and in those circumstances Powerlink is in there providing assistance and helping when they can. There will certainly be circumstances like that where there's a role for Powerlink. **R:** We are not in an environment where any of the network businesses can throw significant funding around to assist. There is no silver bullet, it will involve a lot of hard work to make some headway in this area. **C:** Network charges are part of reason why some people are in vulnerable circumstances. Now you want to help the people you put in a vulnerable situation. **R:** You could put it that way, which is a big reason why we're looking at important things such as tariff reform. We take your point, but we are working to empower and take some preventative approaches to assisting those in need. **C:** Might be more about moving away from customers in trouble, and getting to them before they get into trouble. That preventative approach that could take someone from being vulnerable to more so grabbing them at the front end. **Q:** Are there any opportunities for a joint framework from the three networks? **R:** Definitely something to consider – we all have work still on the table and it's important we're aware of each other's work and that we work together wherever we can. **C:** A level of consistency is important, particularly in terms of timeframes and your customer service approach.			

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	C: I don't necessarily mean just Powerlink customers need to be considered either. It's about end-use customers, landholders with your assets on their land and how your field workers are talking to those people. There are real opportunities for activities specific to Powerlink. **C:** Some customers are well serviced by the market. For example, a business who can hire someone to review their electricity bill. This is quite different to people in circumstances where they can't do that sort of thing. The question to think about is what people want, and often that's tools and information that helps their situation. There is a diminishing trust factor for networks – so that's definitely a space for networks to think about. They have an element of being able to rebuild trust and help empower people.			
	Meeting closed at 4.15pm			

Appendix A – Discussion notes from meeting.

Are there any other impacts you believe we should take into account when developing demand and energy forecasts?

- Large scale solar renewables (commercial)
- Consumption reduction

- Rainwater tank effect - Energy use will not bounce back
- Forecasting has commercial impact
- Closure of large industry
- More detailed understanding of the differences of forecasts from key players
- Population increase/decrease
- Houses vs apartments - less area for solar installations

What are your views on our forecast, in particular the impact of emerging technologies?

- Difficulties of forecasting
- Surprised PQ is so amenable to renewables and battery storage (cost and efficiency)
- Not a lot of 'bright ideas' come to fruition
- Only takes change in Govt. policy and it all changes
- Reduces in cost and interest goes up
- Ultimately human behaviour will dictate take-up… or not
- History does not apply anymore - up in the air
- Consumer takes on risk if get forecast wrong

Is there anyone else we should be engaging with to improve our forecasting methodology?

- Energex
- Ergon
- AEMO
- (Other TNSPs)
- CSIRO
- Data service providers eg smart meters
- University
- Local government
- Manufacturers
- Federal government - standards
- Large use customers - LNG etc.
- Direct connect customers
- PQ employees
- Other countries - industry leaders in technology and standards
- QLD industry energy experts

- Energy service providers eg Nest
- Retailers
- Non-network, 3rd party aggregates
- Fringe of grid electricity customers
- Housing developers / smart grid / energy efficiencies

Appendix B – Discussion notes from meeting.

Should there be a maximum duration of load interruption that should not be exceeded?

- **Greater MWs over a few days and short duration per day**
- **Less MW over many days and longer duration per day**
- **Directly connected customers v consumers**

Value of customer reliability - $40,000 per MWh – thoughts?

Are there other stakeholder considerations we should take into account when planning the network?

- 'Fit for purpose'
- Take into account time of year, type of customer, economic zones.
- How much compensation would be sufficient?
- How much would you pay to not lose supply?
- Communicate and engage with customers
- Less MW over more days (commercial) - going to be very different for others
- Consider lost production, revenues for the government in royalties
- Consider more commercial arrangements for load curtailment
- Customers (residential) prefer shorter duration as opposed to frequency/ongoing
- 50MW applies across the network (perhaps should be scaled?)
- Bowen Basin example

  Chunkier load so easier to apply different standard

- Life support/farming back up diesel

  How impacts considered for those consumers?

- As consumer, may be more open to paying less for lower reliability
- Different for industry/big customers in commercial operations
- Importance of collaborating with other people doing forecasting

  (Cross-reference)

- Farming factor (no one size fits all that you can apply)
- Tasmanian Basslink example (commercial operators took hit to keep mums and dads lights on)
- Extent of outages and impact will also vary

Stakeholders

- Community outrage/media interest
- $40k – not applicable across all stakeholders
- Government